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Uses Of U. S. Milk Production

The Dairy Situation, Economic Research Service USDA

Milk is a complex substance, consisting of water, fat, proteins, sugar, mineral matter, vitamins, and minor constituents. This means milk may be consumed in fluid form or used to produce a number of processed products, using varying portions of these milk components. As a result, the dairy industry has developed specialized production, processing, and distribution systems. Inter-relationships between supply and demand for milk and each dairy product affect the various parts of the industry and Government programs for dairying.

The composition of milk varies slightly, depending on breed of cow, stage of lactation, season, and other factors. On the average, milk in 1964 consisted of 3.7 percent fat, and 96.3 percent skim milk, containing about 8.6 percent of solids-not-fat.

Farmers determine the use of milk which they keep at home and whether to sell milk or cream. The proportion of milk sold from farms has trended upward since the 1930's. Now, with relatively specialized commercial dairy farms accounting for four-fifths of production, only 5 percent of milk output is retained on farms where produced. Milk marketed from farms has risen annually and totaled about 110 billion pounds in 1955. It rose to 120 billion pounds in 1964. Last year, whole milk marketings reached nearly 114 billion pounds.

About 4 billion pounds were sold as farm-separated cream, and 2 billion were retailed by farmers.

In marketing, farm supplies are differentiated by sanitation standards. Milk eligible for fluid use meets sanitation standards of cities and States or the U. S. Public Health standards for Grade A milk. Milk not needing to meet sanitary requirements above those necessary for manufacturing is defined as manufacturing grade milk. As commercial dairying has developed, a larger amount of milk than needed has qualified for field use—63 percent of production last year, while only 47 percent was used for fluid milk and cream products.

Farmers determine the type of dairy plant to which they sell milk, but plants, dealers, and distributors actually allocate the milk to products on the basis of prices and margins. Consumer and institutional food market demands, as well as prices established by Government agencies, influences these handler decisions.

By far the largest use of milk in 1964 was in fluid milk and cream because of U. S. consumption habits and the relative available supplies. Fluid whole milk requires less processing than many other foods. Most fluid markets milk is standardized to a fixed milkfat content, usually lower than the fat test of the milk received. About 15 percent of fluid

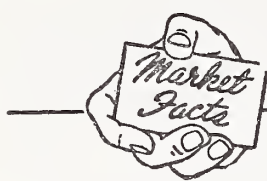
milk is separated and sold as various cream and skim milk items.

Slightly over half of all milk marketed by farmers in recent years has been used in manufactured dairy products. About one-third of the manufactured milk goes into products made from whole milk, such as cheese and evaporated, condensed, and dry whole milk. The other two-thirds of manufactured milk goes into products made from separated milk, principally butter and by-products, frozen products, and cottage cheese. The principal by-products of milk are skim milk, buttermilk, and whey—the parts of milk remaining after separation, churning, and cheese making.

Shifts among manufactured products typically have been gradual in recent years because of the relatively stable demand for fluid milk and the support prices for milk and butterfat. In carrying out the support program, USDA purchases butter, cheddar cheese, and nonfat dry milk. These 3 products account for about three-fourths of all manufactured dairy products.

Except for 2 percent fed to calves, all the milkfat products are available for human food. A higher proportion of production now enters commercial channels than formerly, but the proportion of whole milk fed to

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Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	
Class I (3.5%)	
Class II (3.5%)	
Class III (3.5%)	
Class IV (3.5%)	
Producer Butterfat Differential for each one-tenth percent	

Oct. 1965	Sept. 1965	Oct. 1964
\$4.86	\$4.84	\$4.74
4.82	4.88	4.59
3.34	3.29	3.24
—	—	—
—	—	—
8.1¢	8.2¢	7.8¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	
Percent of Producer Butterfat in Class I	
Percent of Producer Milk in Class II	
Percent of Producer Butterfat in Class II	
Percent of Producer Milk in Class III	
Percent of Producer Butterfat in Class III	
Percent of Producer Milk in Class IV	
Percent of Producer Butterfat in Class IV	

83.7	85.0	89.9
79.8	83.0	85.5
16.3	15.0	10.1
20.2	17.0	14.5
—	—	—
—	—	—
—	—	—
—	—	—

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	
Average Daily Class I Producer Milk	
Total Number of Producers	
Average Daily Receipts per Producer	
Average Butterfat Test	
Total Value of Producers Milk at Test	
Income per Producer (7 day average)	

45,271,423	42,238,515	43,168,771
1,261,146	1,241,301	1,277,740
1,642	1,642	1,686
889	858	825
3.70	3.60	3.78
\$2,138,707	\$1,991,078	\$2,011,479
\$294	\$282	\$269

GROSS CLASS USE (Pounds)

Class I Skim	
Class I Butterfat	
Class I Milk	
Class II Skim	
Class II Butterfat	
Class II Milk	

36,564,634	34,654,172	38,186,056
1,335,668	1,260,929	1,423,880
37,900,302	35,915,101	39,609,936
7,032,414	6,064,449	6,129,987
338,707	258,965	245,377
7,371,121	6,323,414	6,375,364

AVERAGE DAILY SALES (Quarts)

Milk	
Buttermilk	
Chocolate	
Skim	
Cream	

452,305	440,370	469,131
5,789	6,140	6,586
33,036	33,479	34,778
13,379	13,145	14,611
9,622	9,129	10,771

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



OCT., 1956 - '65

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1956	23,321,443	3.81	82.7	8.6	4.7	4.0	4.47	4.607	4.207	4.207	3.271	2,020	388
1957	25,608,115	3.79	82.3	6.9	4.6	6.2	4.34	4.519	4.119	4.019	3.096	1,887	438
1958	24,738,205	3.77	85.7	8.3	1.7	4.3	4.30	4.420	4.020	3.920	2.894	1,746	457
1959	26,207,693	3.86	92.0	5.9	1.0	1.1	5.11	4.697	4.297	3.865	3.116	1,727	490
1960	27,938,777	3.80	86.1	7.9	1.6	4.4	4.84	4.502	4.102	3.913	3.100	1,588	568
1961	29,631,204	3.76	82.8	7.1	2.8	7.3	4.79	4.503	4.103	3.881	3.255	1,234	775
1962	35,113,477	3.74	79.3	7.1	3.2	10.4	4.50	4.27	3.872	3.637	3.011	1,330	852
1963	35,733,401	3.72	89.0	7.4	1.5	2.1	4.83	4.43	4.095	3.746	3.094	1,364	845
1964	43,168,771	3.78	89.9	10.1	—	—	4.74	4.59	3.24	—	—	1,686	825
1965	45,271,423	3.70	83.7	16.3	—	—	4.86	4.82	3.34	—	—	1,642	889

Import Prospects For 1965-66

The Dairy Situation, Economic Research Service USDA

Increased world milk and dairy product production and heavier stocks than a year ago suggest that in fiscal 1965-66 dairy exporting countries are likely to try to sell more dairy products in the United States than the 845 million pounds milk equivalent in 1964-65.

Wholesale prices of dairy products continue higher in the United States than in most exporting nations. This makes the United States an attractive outlet for such countries.

Tight supply conditions in 1963 and 1964 resulted in generally higher prices for dairy products. This undoubtedly caused some diversion by exporting countries of products from the United States to these temporarily higher priced markets. An example of this was Argentine Sardo and Reggianito cheese, for which dealers in Italy outbid U.S. importers.

Import quotas authorized under

Section 22 of the Agricultural Adjustment Act, as amended, are in effect for many products. In addition, voluntary arrangements with 3 principal exporting countries, New Zealand, Australia, and Ireland, limited imports into the United States of 3 major nonquota products, Colby cheese, Junex, and frozen cream.

U. S. Imports of dairy products totaled \$68 million in the year ending June 30, 1965, compared with \$57 million a year earlier. In contrast, U.S. exports totaled \$216 million in the year. Butter, anhydrous milkfat, and nonfat dry milk exports, chiefly under U.S. programs accounted for most of the value. The gain in imports reflected higher prices as quantities were down slightly. Imports consisted largely of cheese, and casein. Principal suppliers were western Europe, Argentina, Australia, Canada, and New Zealand.

In fiscal 1964-65, imports of quota products, primarily cheese, decreased 4 percent from 1963-64, to 218 million pounds of milk equivalent (fat solids basis); the quotas for cheese were 73 percent utilized. Imports of Edam and Gouda were 57 percent of the quota; Cheddar, 95 percent; Italian type (cow's milk), 74 percent; and blue mold, 85 percent. A considerable part of the decline is attributed to the maritime strike which kept importers from entering shipments before licenses expired June 30.

Imports of nonquota products in 1964-65 decreased 1 percent on a milk equivalent basis from 1963-64. This decline was due to the failure of Australia to exercise its arrangement to ship Junex, a 44 percent milkfat item. In the nonquota category were 628 million pounds milk equivalent, compared with 845 million pounds of all imports.

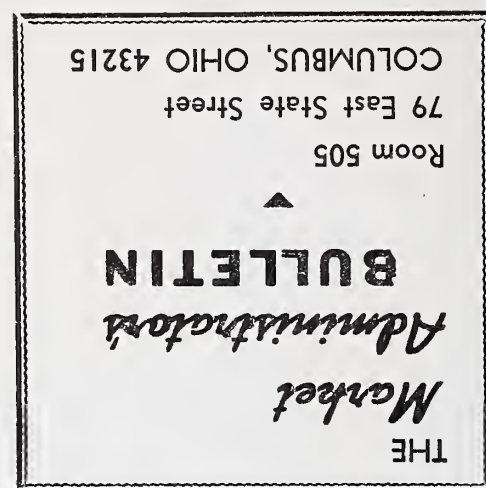
Corn Supply Up Slightly To 5.2 Billion Bushels

The Dairy Situation, Economic Research Service USDA

The corn supply for 1965-66 is now estimated at 5,197 million bushels, 137 million more than in 1964-65, but nearly 300 million below the 1959-63 average. The 1965 crop, estimated on August 1 and 4,096 million bushels above the 1964 crop and 278 million above the 1959-63 average. Corn acreage to be harvested this year is estimated at 57.2 million acres, about the same as in 1964. However, the prospective yield per acre of 71.6

bushels in 15 percent higher than last year. This is 6 percent above the previous record high in 1963 and resumes the upward trend interrupted by the 1964 drought. Domestic consumption of corn in the last 3 years has been a little below the record high of 3,560 million bushels reached in 1961-62. But exports have continued to increase and are expected to reach a record high this year of

around 550 million bushels. The October 1 carryover is expected to be about 1.1 billion bushels, about 400 million less than a year earlier and only about half the record carryover of 4 years ago. Total disappearance in 1965-66 probably will be a little above the level of the last 3 years. But even so, the 1965 crop would be expected to at least equal and may exceed total use in 1965-66.



USES OF U. S. MILK . . .

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calves has changed relatively less than other farm uses. In the 1920's 3 percent of output went to calves.

Skim milk items sold for fluid use are gaining rapidly and are a significant segment of the fluid milk trade. However, demand for milk by-products is a secondary factor contributing to the basic demand for whole milk, because these products remaining from milk processing are not completely used.

Last year, 1.8 billion pounds or about 17 percent of the nonfat solids portion of milk was fed to U.S. animals or wasted. Milk and skim milk fed to animals on farms accounted for about one-third of this total. About one-half was whey solids from cheese making. Some whey is returned to farms or dumped, and most processed whey (concentrated or dried) is sold for animal feed. The remainder is mainly processing loss. More complete use of milk solids-not-fat has been occurring since the 1930's, when about half of total production was for human use.

This upward trend in use of solids-not-fat is likely to continue because of further declines in skim milk and whey use by farmers. Improved whey drying and fermentation processes and local restrictions against dumping as waste or sewage will probably mean more commercial production.

Market Quotations

OCTOBER

1965

MINNESOTA - WISCONSIN PRICE SERIES	\$3.34
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.24..
Average Price per lb. 92-score butter at Chicago	.6289
Average carlot prices non-fat dry milk solids roller and spray process, f.o.b. manufacturing plant	.1431

1964 Net Returns Up On Typical Grade A Dairy Farms

The Dairy Situation, Economic Research Service USDA

Estimates of costs and returns prepared by USDA for 1964 show that total net returns from dairying for farm family labor and capital rose 2 percent and 8 percent respectively on typical dairy farm producing grade A milk in the central Northeast (Pennsylvania, New York, Connecticut, Massachusetts, Vermont, and New Hampshire) and eastern Wisconsin dairy area.

Net income for eastern Wisconsin farms producing grade A milk benefitted significantly from their 14-cent average gain in price per 100 pounds compared with the 5 cent gain by the farms in Central Northeast.

Net returns per 100 pounds of milk for typical farms producing grade A milk were up 2 percent in eastern Wisconsin, but down 4 percent in Central Northeast as variable costs decline slightly.

Analysis of prices and costs indicates that for typical farms producing grade A milk, the average 1964 return per 100 pounds of milk above

the cost of adding 100 pounds of milk to production was 30 cents in eastern Wisconsin and 22 cents in Central Northeast. These increases from last year's 17 cents in both areas, indicate that in 1964 economic conditions in these areas were more favorable for expansion of grade A milk production than in 1963.

On typical Wisconsin farms producing grade B milk, 1964 net returns for family labor and capital fell 21 percent from 1963 levels, although receipts from milk alone increased as a result of both increased sales and higher prices. The drop was due chiefly to lower crop yields and lower cattle and calf prices in 1964 for this type of farm in western Wisconsin.

For the typical Wisconsin farms producing grade B milk, the cost of increasing production by 100 pounds of milk was estimated to be 5 cents above their average price. This unfavorable relationship has persisted for the past 2 years.